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1994/03/17

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4/21/97 (Sec state) (C)

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ACTION: CM (B3)

INFO: EAP (B1) P (B1) RA (B1) EP (B2)
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ACTION EAP-BB

INFO LOG-BB AID-BB AMAD-B1 CCO-BB CIAE-BB CPR-B2 CTME-BB
OASY-BB DODE-BB ITCE-BB DS-BB EB-BB EXME-BB E-B1
HA-BB IMRC-B1 TEDE-BB IWR-BB ITC-B1 ADS-BB MSAE-BB
NSCE-BB OMB-B1 OPIC-B1 PA-B2 PRS-B1 SSO-BB SS-BB
STR-B1 TRSE-BB USSS-BB SA-BB /825W
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FM AMEMBASSY BEIJING
TO SECSTATE WASHDC PRIORITY 7386
USDOC WASHDC PRIORITY
CIMS KTDB WASHDC
INFO AMCONSUL SHEHYANG
AMCONSUL GUANGZHOU
AMCONSUL SHANGHAI
AMCONSUL HONG KONG
AMCONSUL CHENGDU

UNCLAS BEIJING 888168

USDOC FOR 3132/810/EAP/HCOCHRAN/ASTERLING
USDOC FOR 4428/IEP/EAP/OPH/DFOREST

STATE FOR EAP/CM/DKEYSER
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E.O. 12356: N/A
TAGS: ETRO, ETNU, KTDB, OVIP (CHRISTOPHER, WARREN), CH
SUBJECT: IMI: BEIJING AMCHAM REACTS TO BREAKFAST

MEETING WITH SECRETARY OF STATE CHRISTOPHER

1. SUMMARY. IN AN INFORMAL QUESTION AND ANSWER PERIOD WITH THE PRESS FOLLOWING A BREAKFAST MEETING MARCH 13 BETWEEN SECRETARY OF STATE WARREN CHRISTOPHER AND THE AMERICAN CHAMBER OF COMMERCE IN BEIJING, AMCHAM MEMBERS REPORTED FEELING PESSIMISTIC ABOUT THE PROSPECTS FOR RENEWAL IN JUNE OF MOST FAVORED NATION (MFN) TRADING STATUS FOR CHINA.

2. IN RESPONSE TO QUESTIONS ABOUT THE IMPACT OF THE ANNUAL MFN DEBATE ON U.S. BUSINESS INTERESTS IN CHINA, MEMBERS SAID IT AFFECTS INVESTMENT DECISIONS AND CREATES UNCERTAINTY ON THE PART OF CHINESE TRADING AND INVESTMENT PARTNERS AS TO THE RELIABILITY OF U.S. SUPPLIERS. ALTHOUGH REVOCATION OF MFN WOULD HARM THE CHINESE ECONOMY, AMERICAN BUSINESS REPRESENTATIVES NOTED THAT U.S. BUSINESS AND THE U.S. ECONOMY WILL ALSO BE BIG LOSERS, NOT ONLY IN TERMS OF THEIR COMPETITIVENESS IN CHINA BUT ALSO GLOBALLY. AMCHAM HOPES THAT THE TWO GOVERNMENTS CAN FIND A WAY TO DE-LINK TRADE AND HUMAN RIGHTS CONCERNs, BY AGREEING TO ADDRESS HUMAN RIGHTS ISSUES IN A DIFFERENT, MULTILATERAL FORUM. END SUMMARY.

3. ON SUNDAY MORNING, MARCH 13, THE SECRETARY OF STATE MET FOR AN HOUR AND 15 MINUTES WITH THE BEIJING AMCHAM. THE PRESS WAS EXCUSED AFTER FORMAL PRESENTATIONS BY THE SECRETARY AND THREE BEIJING-BASED BUSINESSMEN. ALTHOUGH A TRANSCRIPT WAS MADE FOR THE PRESS OF THE ENSUING QUESTIONS AND ANSWERS. (REPORTED SEPTEL). AFTER THE SECRETARY DEPARTED, THE AMCHAM BOARD OF GOVERNORS

REMAINED BEHIND TO ANSWER QUESTIONS FROM THE PRESS

AMCHAM FEELING PESSIMISTIC

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4. WHEN ASKED FOR AMCHAM'S REACTION TO THE PRECEDING MEETING, AMCHAM PRESIDENT PHIL CARMICHAEL SAID HE FELT PESSIMISTIC ABOUT THE PROSPECTS FOR MFN RENEWAL IN JUNE. IN RESPONSE TO A QUESTION FROM THE WASHINGTON POST ABOUT HOW AMERICAN BUSINESS CAN HELP PERSUADE THE CHINESE TO FULFILL THE CONDITIONS SET FORTH IN PRESIDENT CLINTON'S EXECUTIVE ORDER FOR MFN RENEWAL, CARMICHAEL NOTED THAT U.S. BUSINESS REPRESENTATIVES ALREADY DO EMPHASIZE TO THEIR CHINESE COUNTERPARTS THE CLINTON ADMINISTRATION'S SERIOUSNESS ABOUT HUMAN RIGHTS. THEY HAVE DONE SO IN THE PAST AND WILL CONTINUE TO DO SO IN THE FUTURE.

5. ASKED TO COMMENT ON THE TOKE OF THE MEETING, CARMICHAEL USED AS AN EXAMPLE THE SECRETARY'S ADVICE -- WHICH HE CHARACTERIZED AS "MIXED" -- TO A POTENTIAL INVESTOR WHO ASKED WHETHER HIS SMALL COMPANY SHOULD AT THIS TIME OPEN AN OFFICE IN CHINA AT A COST OF ABOUT HALF A MILLION DOLLARS PER YEAR. THERE IS A REAL QUESTION, CARMICHAEL OPINED, WHETHER U.S. COMPANIES SHOULD INVEST IN CHINA NOW, GIVEN THE PESSIMISTIC TOKE IN U.S.-CHINA RELATIONS.

MFN WITHDRAWAL'S IMPACT ON U.S. BUSINESS

6. AS TO A QUESTION REGARDING THE EFFECT ON BUSINESS OF THE ANNUAL MFN RENEWAL DEBATE, CARMICHAEL OBSERVED GENERALLY THAT IT AFFECTS INVESTMENT DECISIONS BY HIS

COMPANY, EG&G, AND OTHER COMPANIES. WILLIAM WARWICK, CHAIRMAN OF AT&T CHINA, POINTED TO THE UNCERTAINTY CREATED BY THE ANNUAL EXERCISE. "OUR CHINESE CUSTOMERS QUESTION OUR RELIABILITY AS A SUPPLIER," HE NOTED, ADDING THAT THE U.S. GOVERNMENT IS THE ONLY GOVERNMENT THAT PUTS THE BUSINESS COMMUNITY IN THE MIDDLE OF SUCH AN ISSUE. TURNING TO THE CURRENT SITUATION, HE COMMENTED THAT THE RENEWAL QUESTION THIS YEAR COMES AT A TIME OF GREAT SENSITIVITY FOR BOTH GOVERNMENTS. CHINA IS GRAPPLING WITH QUESTIONS OF SUCCESSION AND LEADERSHIP, MARKET REFORM AND THE LIKE, WITH MANY COMPETING CONSTITUENCIES.

7. RESPONDING TO A QUESTION ABOUT THE U.S. INFLUENCE OVER CHINA DUE TO THE SIZE OF OUR MARKET, WARWICK OBSERVED THAT RENEWAL OF MFN IS IMPORTANT FOR BOTH OUR COUNTRIES. WITH RESPECT TO HIS INDUSTRY, TELECOMMUNICATIONS, HE POINTED OUT THAT CHINA HAS ACCESS TO EQUIVALENT TECHNOLOGY FROM OTHER COUNTRY SUPPLIERS, ALL OF WHICH ARE PRESENT IN CHINA IN FULL FORCE WITH THE ACTIVE SUPPORT -- FINANCIAL AND POLITICAL -- OF THEIR

RESPECTIVE GOVERNMENTS. THE UNITED STATES ECONOMY AND U.S. BUSINESS WILL BOTH BE BIG LOSERS IF MFN FOR CHINA IS WITHDRAWN, AS U.S. COMPANIES WILL NOT BE ABLE TO COMPETE EFFECTIVELY IN THE CHINA MARKET. AND THAT INABILITY WILL AFFECT OUR GLOBAL COMPETITIVENESS, SINCE THE WORLD ECONOMY IS BECOMING INCREASINGLY BORDERLESS. HE ALSO NOTED THAT, IF MFN IS WITHDRAWN, THE HUMAN RIGHTS LOBBY WILL LOSE ITS STRONGEST WEAPON.

DE-LINKING HUMAN RIGHTS FROM TRADE ISSUES

8. HOW SHOULD THIS ISSUE BE RESOLVED? CHINA HAS TO HELP, STRESSED WARWICK. IN ADDITION, THE PRESIDENT HAS SOME FLEXIBILITY IN DEFINING WHAT OVERALL SIGNIFICANT PROGRESS MEANS. PHIL CARMICHAEL INTERVENED TO POINT OUT THAT AMCHAM WANTS TO DE-LINK TRADE AND HUMAN RIGHTS, PERHAPS THROUGH AGREEMENT OF BOTH COUNTRIES TO ADDRESS THE HUMAN RIGHTS ISSUE IN A DIFFERENT, PREFERABLY

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9. JOHN SULLIVAN, AN AMERICAN ATTORNEY WORKING IN A CHINESE COOPERATIVE LAW FIRM, OBSERVED THAT HE THOUGHT THE MEETING WITH THE SECRETARY HAD GONE VERY WELL. HE STRESSED THAT AMCHAM WAS TRYING TO CONVEY A SENSE OF HOW BUSINESS ON THE GROUND IN CHINA IS NOT ONLY CONTRIBUTING TO ECONOMIC DEVELOPMENT BUT ALSO HAVING AN IMPACT ON THE INCREASING STANDARD OF LIVING AND FWER LIFE STYLES ENJOYED TODAY BY INDIVIDUAL CHINESE. CONDUCTING BUSINESS IN CHINA AFFORDS DAILY OPPORTUNITIES TO EXCHANGE IDEAS AND SHARE VALUES. SULLIVAN DECLINED, WHEN PROMPTED BY THE WASHINGTON POST REPORTER, TO CHARACTERIZE THE CLINTON ADMINISTRATION AS "OUT OF TOUCH" WITH REALITY ON THIS ISSUE, BUT EMPHASIZED THE IMPORTANCE OF REMAINING ENGAGED WITH CHINA IF WE HOPE TO INFLUENCE THE DIRECTION IT TAKES ON HUMAN RIGHTS AND OTHER ISSUES.

AMERICAN BUSINESS A POSITIVE AGENT FOR CHANGE

10. JEFF BELT, VICE PRESIDENT OF AMCHAM BEIJING AND AN OFFICER OF GENERAL MOTORS OVERSEAS CORPORATION WORKING IN CHINA, SECNDDED THE VIEW THAT AMERICAN BUSINESS PEOPLE ARE POSITIVE AGENTS FOR CHANGE IN CHINA. THE INTEGRATION OF U.S. BUSINESS INTO THE CHINESE ECONOMY PROVIDES ROLE MODELS FOR CHANGE AND A CONDUIT FOR INTRODUCING DEMOCRATIC AND SOCIAL VALUES ALONG WITH MANAGEMENT EXPERTISE AND TECHNOLOGY. REACTING NEGATIVELY TO A SUGGESTION FROM A REPORTER THAT U.S. BUSINESS IS DEALING WITH A FASCIST GOVERNMENT IN CHINA, BELT RETORTED THAT AMERICAN BUSINESS DOES NOT WORK WELL WITH FASCISTS. OUR GOALS, HE STATED, ARE TO HELP PROMOTE DEMOCRACY AROUND THE WORLD, BUT DISENGAGING FROM CHINA WILL NOT HELP ACCOMPLISH THAT END.

BILLIONS OF DOLLARS OF BUSINESS -- AND JOBS -- AT STAKE

11. TAKING THE MIKE AGAIN, AT&T'S BILL WARWICK STRESSED THAT IF MFN IS REVOKED, CHINA WILL RETALIATE. THIS WILL HARM U.S. BUSINESS AND REDUCE OR ELIMINATE OUR LEVERAGE ON THE COURSE OF CHINA'S DEVELOPMENT. QUESTIONED ON THE EFFECT REVOCATION WOULD HAVE ON AT&T, HE CALCULATED THAT, WHILE IN THE SHORT TERM IT WOULD MEAN NO NEW ORDERS, IN THE LONGER TERM IT WOULD MEAN TENS OF BILLIONS -- REPEAT BILLIONS -- OF DOLLARS FOR AT&T ALONE OVER THE NEXT DECADE. HE CONCLUDED BY NOTING THAT, FOR EVERY THREE JOBS AT&T CREATES IN CHINA, IT CREATES ONE NEW, HIGH-TECH JOB AT HOME.
(FCS: JPHORSLEY) ROY

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